



Trade and Agriculture **What's at Stake for Arkansas?**

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Arkansas is an important producer and exporter of agricultural products. In 2000, the State's cash farm receipts totaled \$4.9 billion. Arkansas ranked 10th among all 50 states in 2000 with agricultural exports estimated at \$1.4 billion. These exports help boost farm prices and income, while supporting about 20,020 jobs both on the farm and off the farm in food processing, storage, and transportation. Exports remain important to Arkansas' agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 29 percent in 2000.

Arkansas' top five agricultural exports in 2000 were:

- # rice -- \$415 million
- # poultry and products -- \$278 million
- # soybeans and products -- \$232 million
- # cotton -- \$144 million
- # wheat and products -- \$102 million

World demand for these products is increasing, but so is competition among suppliers. If Arkansas's farmers, ranchers, and food processors are to compete successfully for the export opportunities of the 21st century, they need *fair trade* and *more open access* to growing global markets.

Arkansas Benefits From Trade Agreements

Arkansas is already benefitting from a number of agricultural trade agreements. While there is still much to be done, examples of market opportunities for Arkansas include:

- # Arkansas is the nation's top rice producer and under the Uruguay Round agreement, Japan opened its market to 375,000 tons of imported rice in 1995, which expanded to a 682,200-ton tariff rate quota by 2000. As a result, Japan has emerged as one of the largest export markets for U.S. rice, with sales increasing from \$31 million in 1995 to \$120 million in 2000. The United States has supplied about half Japan's rice imports since 1995, and Japan is the top destination for U.S. medium- and short-grain rice.

Under the North American Free Trade Agreement, tariff preferences have helped to increase U.S. market share for rice in Mexico, from 79 percent in 1994 to nearly 100 percent in 1999. From 1994 to 2000, the value of U.S. rice exports to Mexico increased from \$68 million to \$102 million.

Arkansas benefits under the Uruguay Round agreement as South Korea reduces its tariffs on soybean oil by 14.5 percent from 1995 to 2004. The tariff reduction has supported a threefold increase in export volume, with total sales reaching \$32 million in 2000. The Philippines is reducing its tariffs on soybean meal from 10 to 3 percent during the same period. This tariff reduction has supported a 40-percent increase in U.S. soybean meal exports that topped \$160 million in 2000.

As the 2nd largest poultry producer in the nation, Arkansas benefits under the Uruguay Round agreement because South Korea eliminated its import quotas on frozen chicken (whole and parts) in 1997, and is progressively reducing its tariffs to between 18 and 20 percent by 2004. These market-opening steps supported a rise in U.S. poultry exports to South Korea from 22,000 tons valued at \$28 million in 1996 to 83,000 tons valued at \$52 million in 2000. The Philippines opened a tariff rate quota for poultry meat of 16,701 tons in 1998, which will reach 23,500 tons by 2004. This arrangement permitted U.S. poultry exports to rise from 2,700 tons valued at \$3 million in 1997 to 17,000 tons valued at \$14 million in 2000.

Under the North American Free Trade Agreement, Mexico converted its import licensing regime for chilled and frozen poultry to a transitional tariff rate quota that will be phased out by 2003. From 1993 to 2000, U.S. poultry exports to Mexico rose from 164,000 tons valued at \$188 million to 281,000 tons valued at \$243 million.

As the nation's 5th largest cotton producer, Arkansas benefits under the North American Free Trade Agreement with rules of origin that increased demand for U.S. textiles in Canada and Mexico. Mexico's 10-percent tariff on cotton will be eliminated by 2003. This tariff reduction supports U.S. cotton exports to Mexico, which rose from 558,000 bales to 1.5 million bales from marketing year 1995 to 2000.

Arkansas benefitted from limits set on subsidized wheat exports as a result of the Uruguay Round agreement. These limits influenced the European Union's decision to change its Common Agricultural Policy, ultimately lowering internal EU market prices to world price levels. As a result, annual EU wheat exports dropped from 22 million tons to about 14 million tons as lower market prices stimulated domestic use, and annual EU wheat imports jumped from 1.5 million tons to 4.5 million tons as the levied margin of protection fell. This translates to an 11-percent reduction in global export competition and a 3-million-ton increase in the EU market, half of which is supplied by the United States.

Under the North American Free Trade Agreement, Mexico eliminated import licensing for wheat and is phasing out tariffs. Since 1994, average annual U.S. wheat exports to Mexico have more than doubled, from 20 million bushels to nearly 50 million bushels. In 2000, exports reached 66 million bushels valued at \$200 million.